

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF OREGON

MICHAEL SCHMITT dba MICHAEL  
SCHMITT PHOTOGRAPHY, an  
individual,

Plaintiff,

v.

VAG GROUP, INC., a foreign  
corporation and VAG PERFOR-  
MANCE, LLC, a foreign limited  
liability company,

Defendant.

No. CV-09-380-HU

FINDINGS & RECOMMENDATION

Michael Schmitt  
Michael Schmitt Photography  
1420 NW Lovejoy  
Unit 627  
Portland, OR 97209

Plaintiff Pro Se

HUBEL, Magistrate Judge:

Plaintiff Michael Schmitt, dba Michael Schmitt Photography, brings this action against defendants VAG Group, Inc. and VAG Performance, LLC, for copyright infringement. An Order of Default was entered against defendants on June 26, 2009. Plaintiff now moves for entry of default judgment.

1 - FINDINGS & RECOMMENDATION

1 I recommend that the motion be granted and that plaintiff be  
2 awarded \$9,800 in damages.

3 In support of the motion, plaintiff submits a declaration and  
4 several exhibits. In addition, I conducted a prima facie hearing  
5 on plaintiff's motion on November 16, 2009, at which plaintiff  
6 produced additional exhibits and presented testimony. Based on all  
7 of the evidence presented both in writing and at the hearing, I  
8 make the following findings and recommendation.

9 I. Liability

10 To prevail on a claim of copyright infringement, plaintiff  
11 must establish ownership of a valid copyright and copying of  
12 constituent elements of the work that are original. Feist Publ'ns,  
13 Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 360 (1991); see also  
14 Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146, 1159 (9th Cir.  
15 2007) (two requirements for prima facie case of direct copyright  
16 infringement are proof of ownership of the allegedly infringed  
17 material and proof that the alleged infringers violated at least  
18 one exclusive right granted to copyright holders under 17 U.S.C. §  
19 106). Pursuant to 17 U.S.C. § 410(c), registration of the  
20 copyrighted works is prima facie evidence of the validity of the  
21 copyright. Under 17 U.S.C. § 106, copyright holders have display  
22 and distribution rights. Display of a copyrighted photograph on a  
23 webpage can violate a copyright holder's rights. Perfect 10, 508  
24 F.3d at 1160.

25 Based on the Order of Default, the well-pled factual  
26 allegations in the Complaint are taken as true. Fair Housing of  
27 Marin v. Combs, 285 F.3d 899, 906 (9th Cir. 2002). Thus, the  
28 record establishes the following facts: Plaintiff, an individual

1 and citizen of Oregon doing business under the assumed business  
2 name Michael Schmitt Photography, is a photographer and owner of  
3 the copyright in a series of four photographic images at issue in  
4 this action. The copyright in the images was registered on or  
5 about October 24, 2008. A copy of the copyright Certificate of  
6 Registration is Exhibit 1 to the Complaint. Copies of the images  
7 themselves are in Exhibit 2 to the Complaint. Defendants VAG  
8 Group, Inc., a corporation, and VAG Performance, LLC, a limited  
9 liability company (referred to collectively in the Complaint as  
10 "Vital"), were formed under the laws of New York and have a  
11 principal place of business there. Defendants sell athletic  
12 apparel and equipment.

13 In 2005, Schmitt began a business relationship with InSport  
14 International, Inc. ("InSport"), an Oregon corporation that sold  
15 athletic apparel. Schmitt twice contracted with InSport in 2005 to  
16 take photographs of people in athletic poses and then licensed the  
17 photographs to InSport for use in marketing. The marketing  
18 included use on InSport's website ([www.insport.com](http://www.insport.com)). On or about  
19 November 25, 2005, defendants acquired InSport and continued to  
20 operate the InSport website to sell athletic apparel under the  
21 InSport name. Defendants also continued to use Schmitt's  
22 photographs to market the apparel under the InSport name.

23 About one year later, on November 17, 2006, Schmitt contracted  
24 with defendants for a third time to take photographs. Schmitt  
25 licensed those photographs to defendants for marketing purposes.  
26 Under the terms of the license, defendants had use of the  
27 photographs for two years. Schmitt remained the owner and  
28 copyright holder of the photographs. Exhibit 3 to the Complaint is

1 a copy of the invoice/license granting defendants the use of the  
2 photographs.

3 On or about December 27, 2007, InSport dissolved and  
4 defendants acquired all interests, assets, and liabilities of  
5 InSport, including Schmitt's license to InSport. Defendants  
6 continued selling athletic apparel under the InSport name at the  
7 InSport website and continued using the photographs to market  
8 athletic apparel on the InSport website under the terms of  
9 Schmitt's license.

10 On or about November 17, 2008, the two-year license to use the  
11 four photographic images at issue here, lapsed. It was not  
12 renewed.

13 On or about December 1, 2008, Schmitt learned that defendants  
14 were still using the four images on the InSport website to market  
15 athletic apparel even though the original two-year license with  
16 InSport had lapsed. Schmitt promptly notified defendants that they  
17 were infringing on Schmitt's copyright. Schmitt sent a proposed  
18 invoice which included a license allowing defendants to continue to  
19 use the images, but the parties did not resolve the dispute over  
20 defendants' infringement. Defendants' unauthorized use of the  
21 photographs ceased on January 28 or 29, 2009.

22 Defendants have not paid Schmitt for use of the images after  
23 the expiration of the license. Schmitt is, and at all times was,  
24 the sole owner of the images. He did not and has not authorized  
25 defendants to use the images after the expiration of the license.

26 Based on these facts, plaintiff has established defendants'  
27 liability for copyright infringement of the photographs. Plaintiff  
28 has demonstrated his ownership of the images and defendants'

1 unauthorized display of them.

2 II. Relief Requested

3 A. Money Damages

4 Under 17 U.S.C. § 504(a), an infringer is liable to a  
5 copyright owner for either actual or statutory damages. Plaintiff  
6 elects statutory damages. The amount of statutory damages is to be  
7 "not less than \$750 or more than \$30,000 as the court considers  
8 just." 17 U.S.C. § 504(c)(1). "If statutory damages are elected,  
9 the court has wide discretion in determining the amount of  
10 statutory damages to be awarded, constrained only by the specified  
11 maxima and minima." Jackson v. Sturkie, 255 F. Supp. 2d 1096, 1101  
12 (N.D. Cal. 2003) (internal quotation omitted). Additionally, in a  
13 case where the copyright owner sustains the burden of proving, and  
14 the court finds, that infringement was committed willfully, the  
15 court in its discretion may increase the award of statutory damages  
16 to a sum of not more than \$150,000. 17 U.S.C. § 504(c)(2).

17 Plaintiff seeks a statutory damages award of \$10,000 to  
18 \$15,000 per image, inclusive of an enhancement for defendants'  
19 willful infringement. I first address the award per image without  
20 considering the enhancement.

21 The record shows that before plaintiff submitted the invoice  
22 and license for the images at issue in this case, plaintiff  
23 submitted two other invoices for work done for defendants. Invoice  
24 #20374, dated April 27, 2005, was for a total of \$14,900, including  
25 costs of digital processing, casting, models, stylist, etc. Pltff's  
26 Trial Exh. 1 at p. 3. The usage/license agreement was for two  
27 years of unlimited use for up to thirty images. Id.

28 Invoice #20385-B, dated November 2, 2005, has total expenses

1 of \$13,854.92, again including such costs as digital processing,  
2 casting, models, stylist, etc. Id. at p. 4. The usage/license  
3 agreement was also for two years, unlimited use, for up to thirty-  
4 one images. Id.

5 On November 17, 2006, plaintiff issued Invoice #20449B to  
6 defendants for another photo shoot, with total costs of \$9,300.  
7 Id. at p. 5. This photo shoot produced the four images at issue in  
8 this lawsuit. The usage/license agreement provides for two years  
9 of unlimited use for up to thirty-four images. Id.

10 In February 2008, plaintiff discovered that defendants were  
11 using, on the InSport website, images licensed by plaintiff to  
12 defendants in 2005, beyond the licensing date. Id. at p. 8. On  
13 February 19, 2008, plaintiff sent an email to Mark Keegan at  
14 InSport notifying him of the out-of-license use of six images. Id.  
15 Plaintiff told Keegan that the license for these images expired in  
16 November 2007. Id.

17 As plaintiff explained in the prima facie hearing, he valued  
18 InSport as a customer and thus, was willing to tolerate defendants'  
19 continued use of the images as long as plaintiff received some type  
20 of compensation. Plaintiff told Keegan in the February 19, 2008  
21 email to "[f]eel free to keep using these images and I will send an  
22 invoice for their use or you can let me know when they will be  
23 taken off the web site at what point we can talk about a fair usage  
24 price for the six images up until that point. If you are still  
25 using these images for hang tags or display please let me know and  
26 we can work out an agreement for that usage as well." Id.

27 On April 21, 2008, plaintiff sent another email to Keegan  
28 about defendants' continued out-of-license use of the six images.

1 Id. at p. 9. By this time, plaintiff had discovered that  
2 defendants were actually using ten of plaintiff's image out-of-  
3 license. Id. With this email, plaintiff attached a proposed  
4 invoice for the out-of-license use. Id. This new invoice  
5 expressly noted that the ten images had been originally licensed in  
6 April 2005 in Invoice #20374, and in November 2005 in Invoice  
7 #20385B. Id. The job in the proposed invoice is described as ten  
8 images used on the InSport website, past the usage license  
9 agreement. Id. The allowed use in the proposed invoice was web  
10 use only until November 2008, or a period of approximately six to  
11 seven months. Id. The total requested was \$950, or \$95 per image.

12 In the prima facie hearing, plaintiff explained that he  
13 deliberately proposed a very low price for each image in an effort  
14 to be paid for the images while preserving the work relationship he  
15 had with InSport. Plaintiff further explained this in a June 9,  
16 2008 letter to Keegan and Linda Pincus of InSport. Id. at p. 10.  
17 By that time, defendants were using eleven out-of-license images on  
18 the InSport website. Id. Plaintiff attached another new invoice  
19 to this letter, seeking payment of \$125 per image, for eleven  
20 images, for a total of \$1,375, for web use until November 2008.  
21 Id. at p. 12. In the letter, plaintiff explained that "[t]his  
22 invoice reflects a need to get paid something for this extended  
23 use, but not to charge a large amount that fair market value would  
24 dictate. Jupiter Media, who[m] I am represented by, would charge  
25 you mid \$500.00 range for this usage. I have enjoyed working with  
26 InSport over the years and hope the relationship can continue with  
27 New Balance." Id.

28 In the April 21, 2008 email to Keegan, and in the June 9, 2008

1 letter to Keegan and Pincus, plaintiff alerted defendants to the  
2 November 2008 expiration of the license for the images taken in  
3 November 2006 and licensed to defendants in Invoice #20449B. Id.  
4 at pp. 9, 10. Accordingly, on December 1, 2008, plaintiff wrote to  
5 Keegan and Maureen Kingsepp with InSport, to request payment for  
6 the eleven images previously noted as being used out-of-license by  
7 InSport, and to add that defendants were now using four additional  
8 images out-of-license. Id. at p. 15. Plaintiff enclosed another  
9 proposed invoice for the now fifteen images being used out-of-  
10 license on defendants' website. Id. at p. 16. There, plaintiff  
11 sought \$290 per image for the four images at issue in this case,  
12 for two months' usage up to January 15, 2009. Id. He also sought  
13 the same per image price for the other eleven images he had  
14 previously addressed with defendants. Id. He noted that usage for  
15 up to one year would be \$390 per image. Id.

16 In the December 1, 2008 letter, plaintiff stated that the  
17 invoice was "fair and balanced." Id. at p. 15. He noted that he  
18 was charging a "book price" for the web use until January 15, 2009.  
19 Id. Finally, he added that four of the images were registered with  
20 the copyright office, entitling plaintiff to collect attorney's  
21 fees and statutory damages for defendants' copyright infringement.  
22 Id. He suggested that a typical infringement charge was ten times  
23 the amount he was requesting in the invoice and thus, defendants  
24 could owe \$11,600 for the four images, plus attorney's fees. Id.

25 Plaintiff explained at the prima facie hearing that the "book  
26 price" he referred to was the "bare minimum" his agency, Jupiter  
27 Images, would charge in a basic "stock sale." He testified that  
28 the invoice enclosed with the December 1, 2008 letter was fair and



1 balanced, but generous to defendants. Plaintiff was trying to  
2 entice defendants to pay plaintiff something and to stop using his  
3 images out-of-license.

4 In addition to the evidence regarding plaintiff's business  
5 relationship with InSport, plaintiff submits exhibits showing more  
6 general information about prices for stock photographs and payments  
7 he received from other customers for such photographs. At the  
8 prima facie hearing, plaintiff explained that "stock" images or  
9 photographs are available to any purchaser, typically from a  
10 company that has thousands available and which can be used for  
11 hundreds of purposes. Plaintiff currently works with a company  
12 called Getty Images, which bought Jupiter Images, the company  
13 plaintiff previously worked with.

14 Getty Images will offer plaintiff's images for sale as "stock"  
15 images or photographs which means that a customer can purchase the  
16 image, through Getty, for either a "rights managed" (meaning a  
17 restricted) use, or an unrestricted use. Plaintiff testified that  
18 with stock purchases, a customer can select a stock image from the  
19 Getty Images website and obtain a license for its use that day.  
20 While the customer may not receive a unique image specifically  
21 designed for that customer, certain risks and costs, such as  
22 production costs, are eliminated in stock sales. Plaintiff further  
23 explained that he considers the post-license use of his images by  
24 a client for whom he has performed a custom shoot, equivalent to  
25 stock photography.

26 As examples of past stock photography sales, plaintiff submits  
27 evidence of payment in April 2007 of \$536 per image for five  
28 images, for six months' "non-protected" website use by an

1 advertising company. Pltf's Trial Exh. 2 at p. 1. In April 2008,  
2 plaintiff received \$500 for the use of an image on one banner in a  
3 retail running equipment store, for up to two years. Id. at p. 2.  
4 In October 2007, plaintiff received \$2,450 for the stock sale to a  
5 small Portland business of a couple of images of its founder or  
6 chief executive officer. Id. at p. 3. The usage was unlimited,  
7 and for an unlimited amount of time. Id. In April 2006, plaintiff  
8 received \$500 for one day use of a stock photograph in the Boston  
9 marathon as course signage. Id. at p. 4. Other examples of  
10 plaintiff's image sales are found in Plaintiff's Trial Exhibit 2.

11 Additionally, plaintiff submits "Licensing Guide" information  
12 from the American Society of Media Photographers stating that there  
13 are only two factors to consider when pricing a license for stock  
14 photographs: the uniqueness of the image and the terms of the  
15 license, or the use. Pltf's Trial Exh. 2 at p. 8. At the prima  
16 facie hearing, plaintiff testified that in his opinion, a third  
17 factor is what the market will bear.

18 The American Society of Media Photographers also publishes a  
19 list of pricing resources for its members. Id. at p. 9. One  
20 recommended resource is a software program called "Foto Quote Pro  
21 6" which offers pricing guides for stock and assignment  
22 photography. Id. Under that program, the middle price range for  
23 an image used in a catalog-type website, for three months, with a  
24 model's release, and occupying up to one-quarter of a computer  
25 screen, is \$927, with the low-range beginning at \$695 and the high-  
26 range going up to \$1,390. Id. at p. 11.

27 Finally, in support of his damages award, plaintiff submits  
28 evidence of a recent settlement of a lawsuit by Getty Images

1 against a business which had used a single photographic image from  
2 Getty's on-line image library without authorization. Id. at p. 13.  
3 The settlement was for approximately £2000 British pounds, or  
4 approximately \$3,310 United States dollars. Id. The exhibit does  
5 not reveal the length of the unauthorized use. Id. Plaintiff also  
6 submits a copy of a boilerplate license agreement offered by Getty  
7 Images for Getty Images products for "Editorial, Rights-Managed and  
8 Rights-Ready Image and Footage." Id. at pp. 13-14. That agreement  
9 contains a provision in which Getty Images reserves the right to  
10 charge the licensee five times the standard license fee for  
11 unauthorized use of licensed material. Id. at p. 14.

12 Based on the written evidence and plaintiff's testimony, I  
13 recommend concluding that the appropriate amount of statutory  
14 damages, before consideration of any alleged willfulness by  
15 defendants, is \$490 per image for the approximate 2.5 months  
16 defendants used the images after the license expired. The most  
17 relevant evidence in the record establishing damages are the emails  
18 and letters written to defendant in 2008 in which plaintiff first  
19 sought payment for the out-of-license use of eleven photographs<sup>1</sup>,  
20 and then sought payment for those eleven photographs plus the four  
21 at issue in this case.

22 At the prima facie hearing, plaintiff testified that the ten  
23 images referenced in his April 21, 2008 email to Keegan were not  
24 materially different from the four images at issue here. Plaintiff  
25 stated that all of the images had the same intrinsic value to the

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26  
27 <sup>1</sup> As described above, when plaintiff began corresponding  
28 with defendants about the out-of-license use of these images,  
there were six at issue, then ten, and finally eleven.

1 InSport website, although the four at issue in this case were  
2 larger and were with InSport clothing. In April 2008, plaintiff  
3 was willing to accept payment of \$95 per image for six to seven  
4 months of use on the InSport website. In June 2008, plaintiff was  
5 willing to accept \$125 per image for five months of use on the  
6 InSport website.

7 Plaintiff's testimony that these prices were artificially low  
8 in an attempt to preserve his working relationship with defendants  
9 is completely credible. Nonetheless, in June 2008, he noted that  
10 were he not offering a good price, Jupiter Media, his  
11 representative at the time, would charge \$500 per image for  
12 approximately five months' use. Thus, plaintiffs' evidence shows  
13 that the fair market value absent consideration of plaintiff's  
14 attempt to keep his relationship with defendants intact, was  
15 approximately \$250 per image for 2.5 months' use.

16 Additionally, in December 1, 2008, plaintiff sought only \$290  
17 per image for the period November 18, 2008, to January 15, 2009.  
18 Although plaintiff was still attempting to offer defendants a good  
19 deal, there is no indication that by this time, with defendants now  
20 using an additional four images out-of-license, that plaintiff was  
21 still seeking to preserve his working relationship with defendants.  
22 Notably, he states that he is prepared to take legal action for  
23 copyright infringement if he is not paid by December 16, 2008. He  
24 also notes that should he pursue a copyright infringement action,  
25 defendants could be liable for attorney's fees.

26 Plaintiff's evidence of pricing for stock images in other  
27 contexts has little bearing on the instant case. The uses of many  
28 of the other images are distinguishable from the webpage use by

1 defendants here. For example, the payment for the image on a  
2 retail store banner is not analogous to the payment for unlimited  
3 use of an image on a webpage. The same can be said for the payment  
4 for use of an image on race course signage, or for use in a  
5 catalog. Of the evidence relied on by plaintiff in Plaintiff's  
6 Trial Exhibit 2, the most closely related is the April 2007 payment  
7 of \$536 per image for six months' "non-protected" website use by an  
8 advertising company. This would amount to approximately \$233 for  
9 2.5 months of usage.

10 Although the "Foto Quote Pro 6" software suggests a mid-range  
11 price of \$925 for three months' use of a similar image, the  
12 software also indicates that the low-range is approximately \$695  
13 per image. Given the payments actually requested by plaintiff from  
14 defendants for use of various images after the licenses expired,  
15 and the other relevant evidence of plaintiff's payments for use of  
16 other stock photographs by other customers, even \$695 seems too  
17 high, and, using plaintiff's own factor of "what the market will  
18 bear," the \$695 price appears to be more than what his business  
19 relationship with defendants would support. Thus, I select a per  
20 image price of \$490 as being the appropriate amount of statutory  
21 damages. This figure is halfway between the \$290 per image that  
22 plaintiff requested from defendants on December 1, 2008, and the  
23 \$695 low-end price suggested by "Foto Quote Pro 6." The initial  
24 statutory damages award is \$1,960.

25 B. Enhancement for Willfulness

26 As noted above, the statute allows for enhanced damages for  
27 willfulness. Plaintiff has successfully established that  
28 defendants' out-of-license use of the four images at issue in this

1 case, was willful. The evidence shows that beginning in April  
2 2008, approximately seven months before the license for these four  
3 images expired, plaintiff notified defendants of the November 2008  
4 expiration date. Plaintiff notified defendants again in June 2008.  
5 With both of these communications, plaintiff attached a proposed  
6 invoice which generally noted that plaintiff's photographs were  
7 copyrighted. Then, in December 2008, plaintiff wrote to defendants  
8 to inform them that they were now using the four images past the  
9 license expiration date. He also expressly stated that these four  
10 images were copyrighted. Defendants' use persisted until late  
11 January 2009.

12 "Willful copyright infringement, for purposes of the award of  
13 statutory damages, requires the defendant's knowledge that his  
14 conduct constitutes copyright infringement." Jackson, 255 F. Supp.  
15 at 1101 (citing Columbia Pictures Tel. v. Krypton Broadcasting of  
16 Birmingham, Inc., 106 F.3d 284, 293 (9th Cir. 1997) (vacated on  
17 other grounds)). The evidence demonstrates that defendant knew of  
18 the expiration of the license, knew that the four images were  
19 copyrighted, but nonetheless continued to use them on the website  
20 for approximately two additional months.

21 In his motion for default judgment, plaintiff requests that  
22 the damages be tripled as a penalty for defendants' willfulness.  
23 Given that defendants were notified of the expiration of the  
24 license seven months ahead of time, and nonetheless continued using  
25 the images, there is no explanation for defendants' conduct other  
26 than defendants' blatant disregard for, and infringement of,  
27 plaintiff's rights in the images. I conclude that enhancing the  
28 underlying damages award five times is a more appropriate sanction

1 for defendants' willful conduct in this case. Multiplying the  
2 initial award of \$1,960 times five produces a total damages award  
3 of \$9,800.

#### 4 C. Injunctive Relief

5 A court may grant injunctive relief to "prevent or restrain  
6 infringement of a copyright." 17 U.S.C. § 502(a). Plaintiff notes  
7 that although defendants have removed the infringing images from  
8 their website, defendants retain the means to continue to infringe  
9 in the future. Thus, I recommend that the injunctive relief  
10 request be granted and that defendants and their directors,  
11 officers, employees, and representatives be permanently enjoined  
12 from any further use of plaintiff's four images on defendants'  
13 InSport website located at [www.insport.com](http://www.insport.com).

#### 14 D. Fees & Costs

15 Plaintiff seeks an award of costs and attorney's fees.<sup>2</sup> Under  
16 17 U.S.C. § 505, the court, in its discretion, may allow the  
17 recovery of costs and attorney's fees to the prevailing party. In  
18 deciding whether to award fees, the court considers "certain  
19 factors, including (1) the degree of success obtained; (2)  
20 frivolousness; (3) motivation; (4) objective unreasonableness (both  
21 in the factual and legal arguments in the case); and (5) the need  
22 in particular circumstances to advance considerations of  
23 compensation and deterrence." Halicki Films, LLC v. Sanderson  
24 Sales & Marketing, 547 F.3d 1213, 1230 (9th Cir. 2008) (internal  
25 quotation and brackets omitted).

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26  
27 <sup>2</sup> Although plaintiff is currently pro se, he was formerly  
28 represented by counsel in this action and incurred attorney's  
fees and costs in prosecuting this litigation.

1 I recommend that plaintiff be awarded reasonable fees and  
2 costs. Under Federal Rule of Civil Procedure 54(d)(2), and Local  
3 Rule 54, plaintiff shall file a request for fees and costs within  
4 fourteen days of the entry of judgment by the Article III District  
5 Court Judge.

6 CONCLUSION

7 Plaintiff's motion for default judgment (#10) should be  
8 granted and plaintiff should be awarded \$2,450 per image for  
9 defendants' willful infringement of plaintiff's photographs (\$490  
10 per image multiplied by five for willfulness), for a total monetary  
11 award of \$9,800 (four images multiplied by \$2,450). Plaintiff's  
12 request for injunctive relief should be granted, as should his  
13 request for an award of reasonable attorney's fees and costs.

14 SCHEDULING ORDER

15 The Findings and Recommendation will be referred to a district  
16 judge. Objections, if any, are due December 17, 2009. If no  
17 objections are filed, then the Findings and Recommendation will go  
18 under advisement on that date.

19 If objections are filed, then a response is due December 31,  
20 2009. When the response is due or filed, whichever date is  
21 earlier, the Findings and Recommendation will go under advisement.

22 IT IS SO ORDERED.

23 Dated this 2d day of December, 2009.

24  
25  
26 /s/ Dennis James Hubel  
27 Dennis James Hubel  
28 United States Magistrate Judge